## GOODRICH AREA SCHOOLS

GOODRICH, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2007

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# Lewis & Knopf, cpas, p.c.

Serving You with Trust and Integrity

October 29, 2007

#### INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Goodrich Area Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Area Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Goodrich Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Area Schools as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report under separate cover dated October 29, 2007 on our consideration of the Goodrich Area Schools'internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Goodrich Area Schools' basic financial statements. The additional information on pages 20 - 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Goodrich Area Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

#### **Fund Financial Statements:**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

#### **District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Goodrich Area Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

#### **District Wide Financial Statements:** (Continued)

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

### The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### **SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

#### **NET ASSETS SUMMARY**

	2007	2006
<u>ASSETS</u>		
Current Assets	\$8,183,691	\$8,692,181
Net Capital Assets	31,179,109	32,125,728
Bond Discount & Deferred Loss on Bond Refunding	1,005,690	1,068,610
TOTAL ASSETS	\$40,368,490	\$41,886,519
<u>LIABILITIES</u>		
Current Liabilities	\$5,469,649	\$6,235,513
Long-Term Liabilities	40,503,579	41,777,549
Total Liabilities	\$45,973,228	\$48,013,062
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	(4,659,188)	(4,713,058)
Restricted - Debt Service	1,023,483	700,066
Unrestricted	(1,969,033)	(2,113,551)
Total Net Assets	(\$5,604,738)	(\$6,126,543)
TOTAL LIABILITIES AND NET ASSETS	\$40,368,490	\$41,886,519

## **RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

	2007	2006
REVENUES		
General Revenues:		
Property Taxes Levied for General Operations	\$1,401,078	\$1,275,167
Property Taxes Levied for Debt Service	3,341,155	3,117,499
State of Michigan Unrestricted Foundation Aid	13,990,875	13,309,148
Other General Revenues	444,370	384,470
Total General Revenues	\$19,177,478	\$18,086,284
Program Revenue		
Charges for Services - Local	1,387,777	1,349,745
Operating Grants - Federal and State	1,261,141	1,242,770
Total Program Revenue	\$2,648,918	\$2,592,515
Total Revenues	\$21,826,396	\$20,678,799
<u>EXPENSES</u>		
Instruction	10,012,490	9,237,343
Support Services	6,250,183	5,815,517
Community Services	599,585	570,576
Food Service	813,963	798,711
Athletics	445,924	451,850
Interest on Long-Term Debt	2,235,178	2,139,215
Depreciation	947,268	102,570
Total Expenses	\$21,304,591	\$19,115,782
INCREASE IN NET ASSETS	\$521,805	\$1,563,017
BEGINNING NET ASSETS (DEFICIT)	(6,126,543)	(7,689,560)
ENDING NET ASSETS (DEFICIT)	(\$5,604,738)	(\$6,126,543)

#### GOVERNMENT- WIDE FINANCIAL ANALYSIS

#### Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets increased by \$521,805 to a total of \$(5,604,738). The largest portion of the net assets are the districts investment in capital assets net of related debt. Net assets (invested in capital assets, net of related debt) increased by \$53,870 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The deficit in unrestricted net assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The districts Unrestricted Net Assets increased by \$144,518 during the year and the restricted portion of the net assets increased by \$323,417. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

#### Analysis of Results of Operations

The District's overall revenues exceeded its expenses for the year by \$521,805. The total revenues increased by \$1,147,597 or 6% over last years amounts. Major changes in revenue were due to increases in property taxes and state aid. Expenditures increased by \$2,188,809. Major changes were primarily due to increased costs for instruction, support services, depreciation, and interest on long-term debt.

#### FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

#### Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

### General Fund

The district's general fund is the chief operating fund of the district. Fund balance for the general fund increased by \$257,056 during the year with the increase coming primarily in cash. Revenues for the year increased by \$871,479 over last year's amounts; primarily from increases in property taxes and state aid. Expenditures and other financing uses increased by \$1,071,090 due to increases in payroll expenses, health insurance, fuel, legal fees, postage, new curriculum, supplies, and utilities. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

#### 1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

#### 2. <u>Per Student, Foundation Allowance:</u>

Annually, the State of Michigan establishes the per student foundation allowance. The Goodrich Area Schools foundation allowance was \$7,085 per student for the 2006-2007 school year.

#### 3. Student Enrollment:

The District's student enrollment for the fall count of 2006-2007 was 2,184 students. An increase of 16 students from the prior year.

#### FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

#### <u>Analysis of Financial Position</u> (Continued)

### General Fund (Continued)

#### 4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.4170 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$1,401,837. An increase of approximately \$127,000 from the prior year.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS:**

#### GENERAL FUND BUDGET VS. ACTUAL

				Variance Original	
				& Final	Variance Actual
	Original Budget	Final Budget	Actual	Budget %	& Final Budget %
Revenue	\$16,304,118	\$16,790,131	\$16,846,233	2.98	0.33
Expenditures	16,547,798	16,622,660	16,589,177	0.45	0.20
<u>TOTAL</u>	(\$243,680)	\$167,471	\$257,056		

#### **ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Goodrich Area Schools amends its budget during the school year. For fiscal year June 30, 2007, the budget was amended in June, 2007.

Original vs. Final Budgets

#### Revenues

The final budget was higher than the original budget due to increases in state aid and property taxes.

#### Expenditures

No significant variance between original and final budgets.

#### Final Budgets vs. Actual

#### Revenues and Expenditures

No significant variance between final budgets and actual.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Balance			Balance
Governmental Activities:	July 1, 2006	Additions	Deductions	June 30, 2007
Bonds	\$37,185,000	\$0	\$1,465,000	\$35,720,000
Bus Contracts	158,528	0	70,672	87,856
Installment Contracts	62,140	0	31,699	30,441
School Bond Loan Fund	5,334,758	338,912	0	5,673,670
Compensated Absences	120,901	27,827	0	148,728
Total Governmental				
<u>Activities</u>	\$42,861,327	\$366,739	\$1,567,371	\$41,660,695

#### Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$256,448.90 has been assessed for the year ended June 30, 2007, and is included in the amount owing the State at that date. The balance as of June 30, 2007 was \$5,673,670.

#### Capital Assets

The district's net investment in capital assets decreased by \$946,619 during the fiscal year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$41,991,556	\$146,361	\$155,746	\$41,982,171
Less: Accumulated Depreciation	(9,865,828)	(1,092,980)	(155,746)	(10,803,062)
Net Investment Capital Outlay	\$32,125,728	(\$946,619)	\$0	\$31,179,109

Significant changes were due to building improvements, technology additions, and disposal of fully depreciated assets.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

#### Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,108 per pupil for the 07-08 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

#### Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to be 16.92% for 2007-08.

The Goodrich Area Schools 2007/2008 adopted budget is as follows:

#### APPROVED 2007-2008 BUDGET

TOTAL LOCAL REVENUE	\$1,634,975
TOTAL STATE REVENUE	14,358,166.90
TOTAL FEDERAL REVENUE	537,578.00
OTHER FINANCING SOURCES (USES)	307,765.28
TOTAL REVENUE	\$16,838,485
BASIC INSTRUCTION	9,194,517
ADDED NEEDS	1,450,485
SUPPORT SERVICES - PUPIL	726,874
SUPPORT SERVICES - INSTRUCTIONAL STAFF	601,026
SUPPORT SERVICES - GENERAL ADMINISTRATION	371,348
SUPPORT SERVICES - SCHOOL ADMINISTRATION	908,833
SUPPORT SERVICES - BUSINESS	446,305
OPERATIONS AND MAINTENANCE	1,949,556
PUPIL TRANSPORTATION SERVICES	1,098,209
SUPPORT SERVICES - CENTRAL	469,330
COMMUNITY SERVICES (AUDITORIUM EXPENSES)	1,108
FACILITIES ACQUISITION AND PRIOR YEAR ADJUSTMENTS	19,000
DEBT SERVICE - LONG TERM	31,264
OUTGOING TRANSFERS	306,822
TOTAL EXPENDITURES	\$17,574,677
EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	(\$736,192)

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Goodrich Area Schools.

## GOODRICH AREA SCHOOLS STATEMENT OF NET ASSETS AS OF JUNE 30, 2007

	Governmental Activities
A	SSETS Activities
CURRENT ASSETS	
Cash and Cash Equivalents	\$5,320,128
Accounts Receivable	21,191
Due from Other Governmental Units	2,660,288
Inventory	16,199
Prepaid Expenses	165,885
Total Current Assets	\$8,183,691
NON-CURRENT ASSETS	
Capital Assets	41,982,171
Less: Accumulated Depreciation	(10,803,062)
Net Capital Assets	\$31,179,109
Bond Discount on Bond Refunding	96,370
Deferred Loss on Bond Refunding	909,320
Total Non-Current Assets	\$32,184,799
TOTAL ASSETS	\$40,368,490
LIAI	<u>BILITIES</u>
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$333,770
State Aid Note Payable	2,141,603
Accrued Expense	434,544
Salaries Payable	868,096
Due to Students	1,805
Deferred Revenue	62,345
Current Portion of Long-Term Obligations	1,627,486
Total Current Liabilities	\$5,469,649
NON-CURRENT LIABILITIES  Bond Premium on 2005 Bond Refunding	470,370
Noncurrent Portion of Long-Term Obligations	40,033,209
Total Non-Current Liabilities	\$40,503,579
TOTAL LIABILITIES	\$45,973,228
NET	ASSETS
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(4,659,188)
Restricted for:	
Debt Retirement	1,023,483
Unrestricted	(1,969,033)
Total Net Assets	(\$5,604,738)
TOTAL NET ASSETS	\$40,368,490

# GOODRICH AREA SCHOOLS STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

		Program	Revenues Operating	Net (Expense) Revenue &
		Charges For	Grants and	Change in
FUNCTIONS/PROGRAMS	Expenses	Services	Contributions	Net Assets
Governmental Activities:				
Instruction	\$10,012,490	\$0	\$1,007,610	(\$9,004,880)
Support Services	6,250,183	450	125,066	(6,124,667)
Community Services	599,585	553,850	0	(45,735)
Food Service	813,963	691,757	128,465	6,259
Athletics	445,924	141,720	0	(304,204)
Interest - Long-Term Obligations	2,235,178	0	0	(2,235,178)
Depreciation - Unallocated	947,268	0	0	(947,268)
<u>TOTALS</u>	\$21,304,591	\$1,387,777	\$1,261,141	(\$18,655,673)
General Revenues:				
Taxes:				
Property Taxes, Levied for General F	Purposes			4,742,233
State Aid				13,990,875
Investment Earnings				201,649
Grants and Contributions Not Restricted	d to			
Specific Programs				27,664
Miscellaneous				215,057
Total General Revenues and Transfer	S			\$19,177,478
Change in Net Assets				\$521,805
Net Assets - Beginning (Deficit)				(6,126,543)
Net Assets - Ending				(\$5,604,738)

# GOODRICH AREA SCHOOLS BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2007

ACCETTO	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS	\$4.076.75 <b>2</b>	Φ1 242 27 <i>C</i>	Ø5 220 120
Cash and Cash Equivalents	\$4,076,752	\$1,243,376	\$5,320,128
Accounts Receivable	13,699	7,492	21,191
Due from Other Governmental Units	2,642,061	18,227	2,660,288
Due from Other Funds	50,524	10,000	60,524
Inventory	0	16,199	16,199
Prepaid Expenses	165,885	0	165,885
TOTAL ASSETS	\$6,948,921	\$1,295,294	\$8,244,215
LIABILITIES			
Accounts Payable	\$333,720	\$50	\$333,770
State Aid Note Payable	2,141,603	0	2,141,603
Due to Other Funds	10,000	50,524	60,524
Accrued Expenses	149,748	0	149,748
Salaries Payable	833,237	34,859	868,096
Due to Students	0	1,805	1,805
Deferred Revenue	62,345	0	62,345
Total Liabilities	\$3,530,653	\$87,238	\$3,617,891
FUND BALANCES			
Reserved For:			
Inventory	0	16,199	16,199
Debt Retirement	0	1,023,483	1,023,483
Designated	240,066	0	240,066
Unreserved:			
Undesignated, Reported In:			
General Fund	3,178,202	0	3,178,202
School Service Funds	0	168,374	168,374
Total Fund Balances	\$3,418,268	\$1,208,056	\$4,626,324
TOTAL LIABILITIES AND FUND BALANCES	\$6,948,921	\$1,295,294	\$8,244,215

# GOODRICH AREA SCHOOLS RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES AS OF JUNE 30, 2007

Total Governmental Fund Balances:		\$4,626,324
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$41,982,171 and the accumulated depreciation is \$10,803,062		31,179,109
Non-current assets related to bond refundings are not included as assets in governmental funds		
Bond Discount	96,370	
Deferred Loss	909,320	
		1,005,690
Accrued Interest on Long-Term Debt		(284,796)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	35,720,000	
Bond Premium	470,370	
School Bond Loan Fund	5,673,670	
Notes Payable	118,297	
Compensated Absences Payable	148,728	
Total		(42,131,065)
TOTAL NET ASSETS -		
GOVERNMENTAL ACTIVITIES		(\$5,604,738)

# GOODRICH AREA SCHOOLS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

		0.1	m . 1
	C1	Other	Total
DEVENILIEC	General	Governmental	Governmental
REVENUES Local Sources	Fund \$1,667,162	Funds \$4,843,000	Funds \$6,510,162
State Sources	14,350,295	29,043	14,379,338
Federal Sources	509,283	105,877	615,160
Total Revenues	\$16,526,740	\$4,977,920	\$21,504,660
Total Revenues	\$10,320,740	\$4,977,920	\$21,304,000
<u>EXPENDITURES</u>			
Current:			
Instruction	9,998,091	0	9,998,091
Student Services	666,471	0	666,471
Instructional Support	417,082	0	417,082
General Administration	429,861	0	429,861
School Administration	915,654	0	915,654
Business Administration	333,369	0	333,369
Operation & Maintenance of Plant	1,852,392	0	1,852,392
Transportation	1,054,712	0	1,054,712
Support Services - Other	501,009	0	501,009
Community Services	3,115	0	3,115
Special Revenue	0	1,847,894	1,847,894
Debt Service	0	3,301,643	3,301,643
Total Expenditures	\$16,171,756	\$5,149,537	\$21,321,293
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$354,984	(\$171,617)	\$183,367
OTHER FINANCING SOURCES (USES)			
Transfers from (to) Other Funds	(271,295)	271,295	0
Other Transfers	173,367	2,243	175,610
Bond Proceeds	0	82,463	82,463
Total Other Financing Sources (Uses)	(\$97,928)	\$356,001	\$258,073
Net Change in Fund Balance	\$257,056	\$184,384	\$441,440
FUND BALANCE - BEGINNING	3,161,212	1,023,672	4,184,884
FUND BALANCE - ENDING	\$3,418,268	\$1,208,056	\$4,626,324

## GOODRICH AREA SCHOOLS

# $\underline{\textbf{RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES}}$

## AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

# TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	\$441,440
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated	
over their estimated useful lives as depreciation expense. This is	
the amount by which depreciation exceeded capital outlay in the	
current period.	(946,619)
Repayment of bond principal is an expenditure in the governmental	
funds, but the repayment reduces long-term liabilities in the statement	
of net assets. This is the amount of repayments reported as	
expenditures in the governmental funds.	1,567,371
Amortization of debt issue discounts, premiums, and other costs are record in the Statement	
of Activities over the life of the bonds. This is the amount of the amortization of debt issue	
discounts, premiums, and other debt issue costs for the current year.	(62,920)
Amortization of the deferred loss on 2005 hand refinencing is recorded in the Statement of	
Amortization of the deferred loss on 2005 bond refinancing is recorded in the Statement of Activities over the life of the bonds. This is the amount of the amortization of deferred loss	
for the current year.	31,358
	,
Loan Proceeds are shown as revenue in the governmental funds, but the proceeds increase	
long-term liabilities in the statement of net assets. This is the amount of proceeds reported	
as revenue in the governmental funds.	(338,912)
(Increase) in accrued compensated absences	(27,827)
Change in accrued interest on long-term liabilities	(142,086)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$521,805

# GOODRICH AREA SCHOOLS STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND AS OF JUNE 30, 2007

	Trust & Agency	Private Purpose Trusts	Total
ASSETS  Cash and Cash Equivalents	\$289,652	\$115,302	\$404,954
TOTAL ASSETS	\$289,652	\$115,302	\$404,954
LIABILITIES  Due to Student Groups	289,652	0	289,652
NET ASSETS - HELD IN TRUST FOR OTHERS	\$0	\$115,302	\$115,302

# GOODRICH AREA SCHOOLS STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2007

<u>REVENUE</u>	Private Purpose Trusts
Donations	\$33,075
EXPENDITURES Scholarships	12,600
CHANGE IN NET ASSETS	\$20,475
NET ASSETS - BEGINNING OF YEAR	94,827
NET ASSETS - END OF YEAR	\$115,302

## GOODRICH AREA SCHOOLS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## **GENERAL FUND**

## FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted A	Amounts		
	Original	Final	Actual	Variance
<u>REVENUES</u>				
Local Sources	\$1,389,710	\$1,640,305	\$1,667,162	(\$26,857)
State Sources	14,273,370	14,331,599	14,350,295	(18,696)
Federal Sources	475,157	501,123	509,283	(8,160)
Total Revenues	\$16,138,237	\$16,473,027	\$16,526,740	(\$53,713)
EXPENDITURES				
Current:				
Instruction	10,190,663	9,979,516	9,998,091	(18,575)
Student Services	586,518	662,352	666,471	(4,119)
Instructional Support	455,584	417,134	417,082	52
General Administration	326,728	390,556	429,861	(39,305)
School Administration	702,311	901,196	915,654	(14,458)
Business Administration	358,952	384,973	333,369	51,604
Operation & Maintenance of Plant	1,988,212	1,861,563	1,852,392	9,171
Transportation	1,101,346	1,115,899	1,054,712	61,187
Support Services - Other	375,320	455,467	501,009	(45,542)
Community Services	6,725	1,104	3,115	(2,011)
Total Expenditures	\$16,092,359	\$16,169,760	\$16,171,756	(\$1,996)
Excess of Revenues Over Expenditures	\$45,878	\$303,267	\$354,984	(\$51,717)
OTHER FINANCING SOURCES (USES)	(289,558)	(135,796)	(97,928)	37,868
Net Change in Fund Balance	(\$243,680)	\$167,471	\$257,056	(\$13,849)
FUND BALANCE - BEGINNING			3,161,212	
FUND BALANCE - ENDING			\$3,418,268	

#### 1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

#### 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Goodrich Area Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District's overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements

#### A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

### 2) <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

#### B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

#### Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

#### General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

#### Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service, Athletic and Community Education Funds.

#### Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

#### Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

#### Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

#### C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

### Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### 2) <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

#### C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

#### Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

#### D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statues authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### F) <u>INVENTORY</u>

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

#### 2) <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

#### G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements Furniture and Equipment	20 – 50 years 5 – 10 years
Vehicles and Buses	5-10 years

#### H) <u>INTERFUND BALANCES</u>

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

### I) COMPENSATED ABSENCES

Teachers earn sick days at the rate of 12 days per year. Other employees earn sick days depending on the number of months employed and their union contract. Employees, either upon retirement and acceptance into the Michigan School Employee's Retirement System or upon resignation after ten (10) years with the District, shall be compensated at a daily or hourly rate based on their contracts. The total estimated liability for unpaid sick days, including salary-related payments, was \$148,728 at June 30, 2007.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

#### 2) <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

#### J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

#### L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

### 2) <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

#### N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

#### 3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2007, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

#### 4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had no investments.

**Interest rate risk**. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$4,536,731 of the District's bank balance of \$5,806,811 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

### 4) <u>DEPOSITS AND INVESTMENTS</u> (Continued)

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$404,954	\$ 5,725,082
The above amounts are reported in the financial statements as follows:	
Cash – Agency Fund	\$ 289,652
Cash – Trust Funds	115,302
Cash – District Wide	5,320,128

#### 5) PROPERTY TAXES

**TOTAL** 

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District's boundaries. The District's tax base is within Genesee, Lapeer and Oakland Counties.

\$ 5,725,082

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 15. Collections are forwarded to the District as collected by the assessing municipality. Real property taxes uncollected as of March 1 are purchased by Genesee County and remitted to the District by June 30.

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due or past due and receivable within the current period and collected no longer than 60 days after the current period.

### 6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

GOVERNMENTAL ACTIVITIES	AMOUNT
State Aid	\$ 2,454,952
Federal Grants	112,670
Other Grant Programs & Fees	92,666
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,660,288

#### 7) <u>UNEMPLOYMENT COMPENSATION</u>

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had no estimated claims in conjunction with the program.

### 8) <u>SHORT-TERM DEBT</u>

The District borrowed \$2,075,000 at 3.68% interest per annum on August, 2006, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August, 2007.

	BALANCE			<b>BALANCE</b>
	JULY 1, 2006	ADDITIONS	DEDUCTIONS	JUNE 30, 2007
State Aid Note	\$3,412,000	\$2,075,000	\$3,412,000	\$2,075,000

#### 9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	BALANCE			BALANCE
	JULY 1, 2006	ADDITIONS	DEDUCTIONS	JUNE 30, 2007
<b>GOVERNMENTAL ACTIVITIES</b>				
Land, Buildings and Improvements	\$38,326,108	\$10,450	\$0	\$38,336,558
Equipment and Furniture	1,913,457	0	0	1,913,457
Vehicles	1,751,991	135,911	155,746	1,732,156
Totals at Historical Cost	\$41,991,556	\$146,361	\$155,746	\$41,982,171
Less: Accumulated Depreciation				
Land, Buildings and Improvements	(7,673,315)	(845,160)	0	(8,518,475)
Equipment and Furniture	(942,344)	(124,970)		(1,067,314)
Vehicles	(1,250,169)	(122,850)	(155,746)	(1,217,273)
Total Accumulated Depreciation	(\$9,865,828)	(\$1,092,980)	(\$155,746)	(\$10,803,062)
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS - NET	\$32,125,728	(\$946,619)	\$0	\$31,179,109

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 14,399
Support Services	122,850
Food Service	7,259
Athletics	1,204
Unallocated	 947,268
TOTAL DEPRECIATION EXPENSE	\$ 1,092,980

#### 10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$85,900 and the School District received a dividend refund of \$23,111.

#### 11) GENERAL LONG-TERM DEBT

#### A) Bonds

#### 1998 Debt Refunding Bonds

Goodrich Area Schools has issued General Obligation Bonds dated April 1, 1998 in the amount of \$14,870,000. The bonds mature serially through May 1, 2024, at varying principal amounts. Interest rates on the bonds range from 4.6% to 5.00% per annum. The balance of the bonds at June 30, 2007, was \$12,060,000.

### 2000 Debt Retirement Series A Bonds

Goodrich Area Schools has issued General Obligation Bonds dated September 15, 2000 in the amount of \$15,845,000. The bonds mature serially through May 1, 2012, at varying principal amounts. Interest rates on the bonds range from 4.65% to 5.75% per annum. The balance of the bonds at June 30, 2007, was \$4,230,000.

#### 2000 Debt Retirement Series B Bonds

Goodrich Area Schools has issued General Obligation Bonds dated September 15, 2000 in the amount of \$10,470,000. The bonds mature serially through May 1, 2025, at varying principal amounts. Interest rates on the bonds range from 5.0% to 5.625% per annum. The balance of the bonds at June 30, 2007, was \$2,080,000.

#### 2005 Debt Retirement

Goodrich Area Schools has issued General Obligation Bonds dated March 15, 2005 in the amount of \$10,600,000. The bonds mature serially through May 1, 2022, at varying principal amounts. Interest rates on the bonds range from 2.7% to 5.0% per annum. The balance of the bonds at June 30, 2007, was \$10,550,000.

#### 2006 Debt Refunding Bonds

Goodrich Area Schools has issued General Obligation Bonds dated February 14, 2006 in the amount of \$6,800,000. The bonds mature serially through May 1, 2030, at varying principal amounts. Interest rates on the bonds range from 4.00% to 4.35% per annum. The balance of the bonds at June 30, 2007, was \$6,800,000.

#### B) Bus and Installment Contracts

Installment and bus contracts consist of five loans for buses, two loans for other vehicles, one loan for land, four loans for radios, and one loan for plows. These loans require annual principal payments ranging from \$179 to \$30,152 plus interest calculated at 2.35% to 6.0%.

#### C) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$256,448.90 has been assessed for the year ended June 30, 2007, and is included in the amount owing the State at that date. The balance as of June 30, 2007 was \$5,673,670.

### 11) GENERAL LONG-TERM DEBT (Continued)

### D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2007 are as follows:

	Bonds	Installment	Bus	Michigan School		
_	Payable	Contracts	Contracts	Bond Loan	Interest	Total
June 30, 2008	\$1,555,000	\$14,782	\$57,704	\$0	\$1,713,052	\$3,340,538
June 30, 2009	1,640,000	15,659	30,152	0	1,639,381	3,325,192
June 30, 2010	1,725,000	0	0	0	1,561,530	3,286,530
June 30, 2011	1,815,000	0	0	0	1,472,464	3,287,464
June 30, 2012	1,755,000	0	0	0	1,376,786	3,131,786
June 30, 2013-2017	8,715,000	0	0	0	5,827,450	14,542,450
June 30, 2018-2022	9,735,000	0	0	0	3,391,540	13,126,540
June 30, 2023-2027	6,625,000	0	0	0	1,368,106	7,993,106
June 30, 2028-2031	2,155,000	0	0	0	139,746	2,294,746
Thereafter	0	0	0	5,673,670	0	5,673,670
<u>TOTAL</u>	\$35,720,000	\$30,441	\$87,856	\$5,673,670	\$18,490,055	\$60,002,022

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$1,842,765.

### E) Changes in General Long-Term Debt

	Balance			Balance	Amount Due
Governmental Activities:	July 1, 2006	Additions	Deductions	June 30, 2007	in One Year
Bonds	\$37,185,000	\$0	\$1,465,000	\$35,720,000	\$1,555,000
Bus Contracts	158,528	0	70,672	87,856	57,704
Installment Contracts	62,140	0	31,699	30,441	14,782
School Bond Loan Fund	5,334,758	338,912	0	5,673,670	0
Compensated Absences	120,901	27,827	0	148,728	0
Total Governmental					
<u>Activities</u>	\$42,861,327	\$366,739	\$1,567,371	\$41,660,695	\$1,627,486

### 12) GENERAL FUND DESIGNATIONS

The general fund designations are as follows:

Technology \$ 240,066

#### 13) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

	DUE FROM	1	
		Special	
0	General	Revenue	
	Fund	Fund	Total
General Fund	\$0	\$10,000	\$10,000
Debt Retirement	50,524	0	50,524
TOTAL	\$50,524	\$10,000	\$60,524

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

#### 14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

P TR	ANSFERS FROM
ERS	GENERAL
Athletics Fun	FUND
Athletics Fund	d \$271,295

These transfers were made to subsidize the cost of services for athletics.

#### 15) DEFINED BENEFIT PENSION PLAN

#### Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

#### **Funding Policy**

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$1,639,149, \$1,334,267 and \$1,200,518, respectively.

### 15) <u>DEFINED BENEFIT PENSION PLAN</u> (Continued)

#### Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

#### 16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to Brown & Brown Insurance and Accident Fund.

#### 17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are the Special Education Cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

#### 18) SUBSEQUENT EVENTS

In August, 2007, the District borrowed \$2,665,000 at 3.68% on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2007-2008 fiscal year.

# OTHER SUPPLEMENTAL INFORMATION

# GOODRICH AREA SCHOOLS COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS AS OF JUNE 30, 2007

			Total
	Special	Debt	Other
	Revenue	Service	Governmental
	Funds	Funds	Funds
ASSETS			
Cash and Cash Equivalents	\$173,296	\$1,070,080	\$1,243,376
Accounts Receivable	3,565	3,927	7,492
Due from Other Governmental Units	18,227	0	18,227
Due from Other Funds	10,000	0	10,000
Inventory	16,199	0	16,199
TOTAL ASSETS	\$221,287	\$1,074,007	\$1,295,294
LIABILITIES			
Accounts Payable	\$50	\$0	\$50
Due to Other Funds	0	50,524	50,524
Salaries Payable	34,859	0	34,859
Due to Students	1,805	0	1,805
Total Liabilities	\$36,714	\$50,524	\$87,238
FUND BALANCES			
Reserved For:			
Inventory	16,199	0	16,199
Debt Retirement	0	1,023,483	1,023,483
Unreserved:			
Undesignated, Reported In:			
School Service Fund	168,374	0	168,374
Total Fund Balances	\$184,573	\$1,023,483	\$1,208,056
TOTAL LIABILITIES AND FUND BALANCES	\$221,287	\$1,074,007	\$1,295,294

# $\frac{\text{GOODRICH AREA SCHOOLS}}{\text{COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES}}{\text{OTHER GOVERNMENTAL FUNDS}}$

## FOR THE YEAR ENDED JUNE 30, 2007

Special Revenue Service Funds         Service Funds           REVENUES Local Sources         \$1,445,275         \$3,397,725	Total Other Governmental Funds \$4,843,000
Revenue         Service           Funds         Funds	Governmental Funds \$4,843,000
REVENUES Funds Funds	Funds \$4,843,000
REVENUES	\$4,843,000
Local Sources \$1.445.275 \$3.307.725	
$\psi_1, \tau_2, z_1, z_2$	
State Sources 29,043 0	29,043
Federal Sources	105,877
Total Revenues \$1,580,195 \$3,397,725	\$4,977,920
OTHER FINANCING SOURCES (USES)	
Transfers from (to) Other Funds 271,295	271,295
Other Transfers 81 2,162	2,243
Bond Proceeds 0 82,463	82,463
Total Other Financing Sources (Uses) \$271,376 \$84,625	\$356,001
Total Revenues & Other Financing Sources \$1,851,571 \$3,482,350	\$5,333,921
EXPENDITURES	
Food Service 806,704 0	806,704
Athletics 444,720 0	444,720
Community Education 596,470 0	596,470
Debt Service 0 3,301,643	3,301,643
Total Expenditures \$1,847,894 \$3,301,643	\$5,149,537
Net Change in Fund Balance \$3,677 \$180,707	\$184,384
<u>NET ASSETS - BEGINNING</u> 180,896 842,776	1,023,672
100,070 042,770	1,023,072
NET ASSETS - ENDING \$184,573 \$1,023,483	\$1,208,056

# GOODRICH AREA SCHOOLS SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET AS OF JUNE 30, 2007

	Food		Community	
	Service	Athletics	Education	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$68,734	\$23,551	\$81,011	\$173,296
Accounts Receivable	458	0	3,107	3,565
Due from Other Governmental Units	18,227	0	0	18,227
Due from Other Funds	0	0	10,000	10,000
Inventory	16,199	0	0	16,199
TOTAL ASSETS	\$103,618	\$23,551	\$94,118	\$221,287
<u>LIABILITIES</u>				
Accounts Payable	\$0	\$0	\$50	\$50
Salaries Payable	7,851	8,297	18,711	34,859
Due to Students	1,805	0	0	1,805
Total Liabilities	\$9,656	\$8,297	\$18,761	\$36,714
FUND EQUITY				
Reserved for Inventory	16,199	0	0	16,199
Unreserved and Undesignated	77,763	15,254	75,357	168,374
Total Fund Equity	\$93,962	\$15,254	\$75,357	\$184,573
TOTAL LIABILITIES AND FUND EQUITY	\$103,618	\$23,551	\$94,118	\$221,287

# GOODRICH AREA SCHOOLS

## SPECIAL REVENUE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND

## <u>CHANGES IN FUND BALANCE</u> <u>FOR THE YEAR ENDED JUNE 30, 2007</u>

Local Sources         \$691,757         \$0         \$0         \$0           Athletic Activities         0         141,720         0         0           Earnings on Investments and Deposits         3,980         1,139         3,835         0           Other Local Revenues         4,156         9,882         588,806         588,806         588,806         588,806         588,806         588,806         588,806         589,893         \$152,741         \$592,641         \$1,00	691,757 141,720 8,954 602,844 445,275 29,043 79,188 20,234 6,455
Local Sources         \$691,757         \$0         \$0         \$1           Athletic Activities         0         141,720         0         0           Earnings on Investments and Deposits         3,980         1,139         3,835         0           Other Local Revenues         4,156         9,882         588,806         588,806           Total Local Sources         \$699,893         \$152,741         \$592,641         \$1           State Sources         \$59,493         0         0         0           Federal Sources         \$699,893         \$152,741         \$592,641         \$1           State Sources         \$594,493         0         0         0           Federal Sources         \$79,188         0         0         0           Commodities         20,234         0         0         0         6,455         \$1           Total Federal Sources         \$99,422         \$0         \$6,455         \$5         \$5           Total Revenues         \$828,358         \$152,741         \$599,096         \$1           OTHER FINANCING SOURCES         \$1         0         68         \$6           Other Transfers         13         0         68         \$1     <	691,757 141,720 8,954 602,844 445,275 29,043 79,188 20,234
Cafeteria Sales         \$691,757         \$0         \$0         \$1           Athletic Activities         0         141,720         0         0           Earnings on Investments and Deposits         3,980         1,139         3,835           Other Local Revenues         4,156         9,882         588,806           Total Local Sources         \$699,893         \$152,741         \$592,641         \$1,           State Sources         \$582,043         0         0         0         0           Federal Sources         \$79,188         0	141,720 8,954 602,844 445,275 29,043 79,188 20,234
Athletic Activities       0       141,720       0         Earnings on Investments and Deposits       3,980       1,139       3,835         Other Local Revenues       4,156       9,882       588,806         Total Local Sources       \$699,893       \$152,741       \$592,641       \$1,000         State Sources       \$1,000 <td< td=""><td>141,720 8,954 602,844 445,275 29,043 79,188 20,234</td></td<>	141,720 8,954 602,844 445,275 29,043 79,188 20,234
Earnings on Investments and Deposits         3,980         1,139         3,835           Other Local Revenues         4,156         9,882         588,806           Total Local Sources         \$699,893         \$152,741         \$592,641         \$1,50           State Sources         \$1,50         \$	8,954 602,844 445,275 29,043 79,188 20,234
Other Local Revenues         4,156         9,882         588,806           Total Local Sources         \$699,893         \$152,741         \$592,641         \$1,           State Sources         State Reimbursements         29,043         0         0         0           Federal Sources         Federal Reimbursements         79,188         0         0         0         0         0         0         0         0         0         0         0         0         6,455         0         0         0         0         6,455         5         5         0         36,455         \$5         \$5         \$5         \$5         \$5         \$5         \$5         \$5         \$6         \$5         \$5         \$5         \$5         \$6         \$5<	602,844 445,275 29,043 79,188 20,234
State Sources         \$699,893         \$152,741         \$592,641         \$1,000           State Sources         29,043         0         0         0           Federal Sources         79,188         0         0         0           Federal Reimbursements         79,188         0         0         0           Commodities         20,234         0         0         6,455           Safe School Bridges Grant         0         0         6,455         5           Total Federal Sources         \$99,422         \$0         \$6,455         \$           Total Revenues         \$828,358         \$152,741         \$599,096         \$1,           OTHER FINANCING SOURCES         13         0         68         5           Transfer from General Fund         0         271,295         0         5           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1,000	29,043 79,188 20,234
State Sources         29,043         0         0           Federal Sources         79,188         0         0           Federal Reimbursements         79,188         0         0           Commodities         20,234         0         0           Safe School Bridges Grant         0         0         6,455           Total Federal Sources         \$99,422         \$0         \$6,455         \$           Total Revenues         \$828,358         \$152,741         \$599,096         \$1           OTHER FINANCING SOURCES         0         68         1         0         68           Transfer from General Fund         0         271,295         0         68         \$           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1	79,188 20,234
State Reimbursements         29,043         0         0           Federal Sources           Federal Reimbursements         79,188         0         0           Commodities         20,234         0         0           Safe School Bridges Grant         0         0         6,455         5           Total Federal Sources         \$99,422         \$0         \$6,455         \$           Total Revenues         \$828,358         \$152,741         \$599,096         \$1           OTHER FINANCING SOURCES         0         68           Other Transfers         13         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1	79,188 20,234
Federal Sources           Federal Reimbursements         79,188         0         0           Commodities         20,234         0         0           Safe School Bridges Grant         0         0         6,455           Total Federal Sources         \$99,422         \$0         \$6,455         \$           Total Revenues         \$828,358         \$152,741         \$599,096         \$1           OTHER FINANCING SOURCES         Other Transfers         13         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1	79,188 20,234
Federal Reimbursements         79,188         0         0           Commodities         20,234         0           Safe School Bridges Grant         0         0         6,455           Total Federal Sources         \$99,422         \$0         \$6,455         \$           Total Revenues         \$828,358         \$152,741         \$599,096         \$1,           OTHER FINANCING SOURCES         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1,000	20,234
Commodities         20,234         0           Safe School Bridges Grant         0         0         6,455           Total Federal Sources         \$99,422         \$0         \$6,455         \$           Total Revenues         \$828,358         \$152,741         \$599,096         \$1           OTHER FINANCING SOURCES         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1	20,234
Safe School Bridges Grant         0         0         6,455           Total Federal Sources         \$99,422         \$0         \$6,455         \$           Total Revenues         \$828,358         \$152,741         \$599,096         \$1           OTHER FINANCING SOURCES         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1	
Total Federal Sources         \$99,422         \$0         \$6,455         \$           Total Revenues         \$828,358         \$152,741         \$599,096         \$1,           OTHER FINANCING SOURCES         0         68           Other Transfers         13         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1,000	6 455
Total Revenues         \$828,358         \$152,741         \$599,096         \$1,000           OTHER FINANCING SOURCES         0         68           Other Transfers         13         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$5           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1	$0, \neg 55$
OTHER FINANCING SOURCES           Other Transfers         13         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1,000	105,877
Other Transfers         13         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1	580,195
Other Transfers         13         0         68           Transfer from General Fund         0         271,295         0           Total Other Financing Sources         \$13         \$271,295         \$68         \$           Total Revenues and Other Financing Sources         \$828,371         \$424,036         \$599,164         \$1	
Total Other Financing Sources \$13 \$271,295 \$68 \$  Total Revenues and Other Financing Sources \$828,371 \$424,036 \$599,164 \$1,	81
Total Other Financing Sources\$13\$271,295\$68\$Total Revenues and Other Financing Sources\$828,371\$424,036\$599,164\$1,000	271,295
Total Revenues and Other Financing Sources \$828,371 \$424,036 \$599,164 \$1,	271,376
<u>EXPENDITURES</u>	851,571
Salaries - Professional 43,096 0 49,717	92,813
Salaries - Non-Professional 249,413 174,932 357,413	781,758
Insurances 18,807 0 15,332	34,139
	215,436
	145,124
Supplies and Materials 406,624 55,892 39,228	501,744
Capital Outlay 0 18,355 0	18,355
Other 0 54,280 4,245	58,525
	847,894
EXCESS REVENUES AND OTHER FINANCING	
<u>SOURCES OVER EXPENDITURES</u> \$21,667 (\$20,684) \$2,694	\$3,677
FUND BALANCE - BEGINNING OF YEAR         72,295         35,938         72,663         \$	
FUND BALANCE - END OF YEAR         \$93,962         \$15,254         \$75,357         \$	180,896

# GOODRICH AREA SCHOOLS DEBT RETIREMENT FUNDS COMBINING BALANCE SHEET FOR THE YEAR ENDED JUNE 30, 2007

ASSETS  Cash and Cash Equivalents Accounts Receivable	1998 Debt \$388,798 1,687	2000 Debt \$228,932 1,247	2005 Debt \$287,211 643	2006 Debt \$165,139 350	Total After Interfund Eliminations \$1,070,080 3,927
Due from Other Funds	0	91,765	36,257	0	0
TOTAL ASSETS	\$390,485	\$321,944	\$324,111	\$165,489	\$1,074,007
LIABILITIES  Due to Other Funds	\$73,604	\$28,401	\$0	\$76,541	\$50,524
FUND EQUITY Reserved - Debt Retirement	316,881	293,543	324,111	88,948	1,023,483
TOTAL LIABILITIES AND FUND EQUITY	\$390,485	\$321,944	\$324,111	\$165,489	\$1,074,007

#### GOODRICH AREA SCHOOLS

#### **DEBT RETIREMENT FUNDS**

#### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND

#### <u>CHANGES IN FUND BALANCE</u> <u>FOR THE YEAR ENDED JUNE 30, 2007</u>

	1998 Debt	2000 Debt	2005 Debt	2006 Debt	Total After Interfund Eliminations
<u>REVENUES</u>					
<u>Local Sources</u>					
Property Taxes	\$1,391,688	\$1,135,518	\$589,768	\$224,181	\$3,341,155
Earnings on Investments and Deposits	21,749	17,145	12,425	5,251	56,570
Total Local Sources	\$1,413,437	\$1,152,663	\$602,193	\$229,432	\$3,397,725
OTHER FINANCING SOURCES					
Transfers from Other Funds	2,510	34,112	0	204,279	0
Bond Proceeds	82,463	0	0	0	82,463
Other Transfers	0	0	0	2,162	2,162
Total Other Financing Sources	\$84,973	\$34,112	\$0	\$206,441	\$84,625
Total Revenues and Other					
Financing Sources	\$1,498,410	\$1,186,775	\$602,193	\$435,873	\$3,482,350
EXPENDITURES					
Redemption of Bond Principal	765,000	675,000	25,000	0	1,465,000
Interest on Bonded Debt	629,309	359,700	499,396	346,925	1,835,330
Dues and Fees	175	1,025	113	0	1,313
Total Expenditures	\$1,394,484	\$1,035,725	\$524,509	\$346,925	\$3,301,643
OTHER FINANCING USES					
Transfers to Other Funds	29,144	175,423	36,334	0	0
Total Expenditures and Other					
Financing Uses	\$1,423,628	\$1,211,148	\$560,843	\$346,925	\$3,301,643
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES	\$74,782	(\$24,373)	\$41,350	\$88,948	\$180,707
FUND BALANCE - BEGINNING OF YEAR	\$242,099	\$317,916	\$282,761	\$0	\$842,776
FUND BALANCE - END OF YEAR	\$316,881	\$293,543	\$324,111	\$88,948	\$1,023,483

# INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES AND OTHER FINANCING USES

#### GOODRICH AREA SCHOOLS

#### GENERAL FUND

#### SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

#### FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROM	
Local Sources	
Property Tax Levy	\$1,401,078
Earnings on Investments and Deposits	136,125
Medicaid	27,664
Miscellaneous Revenue	102,295
Total Revenues from Local Sources	\$1,667,162
State Sources	
State Aid	13,990,875
Special Education - Headlee	278,894
At Risk	58,974
Vocational Education	20,017
Other State Grants	1,535
Total Revenues from State Sources	\$14,350,295
Federal Sources	
Title I	90,147
Improving Teacher Quality	45,653
Title V	1,298
IDEA Flowthrough	321,487
Katrina Grant	567
Grants from ISD	50,131
Total Revenues from Federal Sources	\$509,283
Total Revenues	\$16,526,740
OTHER FINANCING SOURCES	
Other Transfers	96,931
Act 18	138,907
Transfers from Other Governmental Units	83,655
Total Other Financing Sources	\$319,493
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$16,846,233

ASIC PROGRAMS	
Elementary	
Salaries - Professional	\$2,329,9
Salaries - Non-Professional	81,0
Insurance	600,2
Fica, Retirement, Etc.	610,7
Other Benefits	4,6
Purchased Services	2,5
Supplies & Materials	97,0
Capital Outlay	21,3
Other	1,4
Total Elementary	\$3,749,1
Middle School	
Salaries - Professional	1,293,0
Salaries - Non-Professional	38,1
Insurance	351,4
Fica, Retirement, Etc.	336,4
Other Benefits	2,4
Purchased Services	2,4
Capital Outlay	27,9
Supplies & Materials	110,0
Total Middle School	\$2,162,0
High School	
Salaries - Professional	1,676,2
Salaries - Non-Professional	36,3
Insurance	441,2
Fica, Retirement, Etc.	432,6
Other Benefits	3,4
Purchased Services	44,9
Supplies & Materials	80,1
Capital Outlay	40,0
Other	
Total High School	\$2,755,9
Summer School	
Salaries - Professional	7,5
Fica, Retirement, Etc.	1,9
Total Preschool	\$9,4
Total Basic Programs	\$8,676,5

INSTRUCTION (Continued)	
ADDED NEEDS	
Special Education	
Salaries - Professional	\$485,466
Salaries - Non-Professional	129,131
Insurance	121,119
Fica, Retirement, Etc.	154,913
Other Benefits	3,800
Supplies & Materials	21,321
Other	899
Total Special Education	\$99 \$916,649
Total Special Education	\$910,049
Compensatory Education	
Salaries - Professional	22,289
Salaries - Non-Professional	72,833
Insurance	10,270
Fica, Retirement, Etc.	23,901
Other Benefits	800
Purchased Services	2,448
Supplies & Materials	10,007
Total Compensatory Education	\$142,548
Vocational Education	
Salaries - Professional	116,930
Salaries - Non-Professional	3,239
Insurance	32,008
Fica, Retirement, Etc.	29,566
Purchased Services	362
Supplies & Materials	80,224
Total Compensatory Education	\$262,329
Total Compensatory Education	\$202,329
Total Added Needs	\$1,321,526
Total Instruction	\$9,998,091
SUPPORT SERVICES	
Student Services	
Salaries - Professional	282,296
Salaries - Non-Professional	105,443
Insurance	78,880
Fica, Retirement, Etc.	97,776
Other Benefits	368
Purchased Services	99,386
Supplies & Materials	2,322
Total Student Services	\$666,471
2 Court Connection Con 11000	ψουο, τ / 1

JPPORT SERVICES (Continued)	
Instructional Staff	
Salaries - Professional	\$99,318
Salaries - Non-Professional	115,14
Insurance	32,214
Fica, Retirement, Etc.	54,629
Other Benefits	5,690
Purchased Services	87,33
Supplies & Materials	22,27
Other	47
Total Instructional Staff	\$417,082
General Administration	
Salaries - Professional	128,72
Salaries - Non-Professional	52,15
Insurance	32,11
Fica, Retirement, Etc.	42,46
Other Benefits	6,65
Purchased Services	130,87
Supplies & Materials	4,63
Other	32,23
Total General Administration	\$429,86
School Administration	
Salaries - Professional	360,79
Salaries - Non-Professional	163,57
Insurance	129,36
Fica, Retirement, Etc.	136,07
Other Benefits	21,69
Purchased Services	96,28
Supplies & Materials	4,68
Other	3,17
Total School Administration	\$915,65
Business Administration	
Salaries - Non-Professional	118,53
Insurance	47,92
Fica, Retirement, Etc.	35,54
Other Benefits	1,44
Purchased Services	33,86
Supplies & Materials	4,25
Other	91,80
Total Business Administration	\$333,369

<u>JPPORT SERVICES</u> (Continued) <u>Operation &amp; Maintenance of Plant</u>	
Salaries - Professional	\$50,233
Salaries - Non-Professional	318,911
Insurance	143,774
Fica, Retirement, Etc.	114,231
Purchased Services	531,353
Supplies & Materials	648,811
Capital Outlay	43,808
Other	1,271
Total Operation & Maintenance of Plant	\$1,852,392
Pupil Transportation	
Salaries - Professional	35,261
Salaries - Non-Professional	393,654
Insurance	41,356
Fica, Retirement, Etc.	107,98
Other Benefits	5,59
Purchased Services	63,294
Supplies & Materials	231,02
Capital Outlay	136,496
Other	40,046
Total Pupil Transportation	\$1,054,712
Other Support Services	
Salaries - Professional	37,955
Salaries - Non-Professional	149,068
Insurance	20,290
Fica, Retirement, Etc.	46,724
Other Benefits	5,000
Purchased Services	157,599
Capital Outlay	84,373
Total Other Support Services	\$501,009
Total Support Services	\$6,170,550
DMMUNITY SERVICES	
Salaries - Non-Professional	622
Fica, Retirement, Etc.	152
Purchased Services	2,34
Total Community Services	\$3,115

OTHER FINANCING USES	
Transfers to Athletic Fund	\$271,295
Other Transfers	26,186
Loan Payments	109,490
Transfers to Other Districts	10,450
Total Other Financing Uses	\$417,421
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$16,589,177

### GOODRICH AREA SCHOOLS TRUST AND AGENCY FUND

### <u>SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS</u>

#### FOR THE YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS Cash and Cash Equivalents	\$294,765	\$653,712	\$658,825	\$289,652
<u>LIABILITIES</u> Due to Student and Other Groups	\$294,765	\$653,712	\$658,825	\$289,652

# GOODRICH AREA SCHOOLS GENERAL OBLIGATION SERIAL BONDS SCHEDULE OF BUS AND INSTALLMENT CONTRACTS AS OF JUNE 30, 2007

Bus Note Payable Chase Bank - \$109,572	Date of Issue:	July 30, 2003		
	PRINCIPAL	INTEREST	INTEREST	TOTAL DEBT
DATE OF MATURITY	REQUIREMENT	RATE (%)	REQUIREMENT	REQUIREMENT
July 30, 2007	\$28,356	2.35	\$667	\$29,023
Bus Note Payable Chase Bank - \$115,868	Date of Issue:	July 1, 2004		
	PRINCIPAL	INTEREST	INTEREST	TOTAL DEBT
DATE OF MATURITY	REQUIREMENT	RATE (%)	REQUIREMENT	REQUIREMENT
July 1, 2007	\$29,348	2.74	\$1,630	\$30,978
July 1, 2008	30,152	2.74	826	30,978
TOTALS	\$59,500		\$2,456	\$61,956
Land Contract Payable - Rodney & Kristen N	Mellen and William F	itzpatrick.	Date of Issue:	June 11. 1998
	PRINCIPAL	INTEREST	INTEREST	TOTAL DEBT
DATE OF MATURITY	REQUIREMENT	<b>RATE</b> (%)	REQUIREMENT	REQUIREMENT
July 1, 2007	\$14,511	6.00	\$1,794	\$16,305
July 1, 2008	15,381	6.00	923	16,304
<u>TOTALS</u>	\$29,892		\$2,717	\$32,609
Note Payable - Davison State Bank	Date of Issue:	July 1, 2004		
	PRINCIPAL	INTEREST	INTEREST	TOTAL DEBT
DATE OF MATURITY	REQUIREMENT	<b>RATE</b> (%)	REQUIREMENT	REQUIREMENT
July 1, 2007	\$271	2.74	\$15	\$286
July 1, 2008	278	2.74	8	286
<u>TOTALS</u>	\$549		\$23	\$572

974,500

935,500

896,750

858,250

820,000

777,000

734,500

692,500

651,000

\$17,182,236

## GOODRICH AREA SCHOOLS SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS FOR THE YEAR ENDED JUNE 30, 2007

1998 REFUNDING BONDS

MAY

147,250

130,250

113,375

96,625

80,000

63,500

47,250

31,250

15,500

\$2,561,118

**NOVEMBER** 

147,250

130,250

113,375

96,625

80,000

63,500

47,250

31,250

15,500

\$2,561,118

Date of Issue: April 1, 1998 Amount Authorized \$14,870,000

5.000%

5.000%

5.000%

5.000%

5.000%

5.000%

5.000%

5.000%

5.000%

#### **TOTAL INTEREST PRINCIPAL INTEREST INTEREST PAYMENT RATE** REQUIREMENT REQUIREMENT REQUIREMENT PAYMENT DATE 2007-2008 4.600% \$800,000 \$297,569 \$297,569 \$1,395,138 2008-2009 835,000 279,169 1,393,338 4.650% 279,169 2009-2010 4.800% 870,000 259,755 259,755 1,389,510 2010-2011 5.000% 910,000 238,875 238,875 1,387,750 2011-2012 695,000 216,125 216,125 1,127,250 5.000% 2012-2013 5.000% 690,000 198,750 198,750 1,087,500 2013-2014 5.000% 685,000 181,500 181,500 1,048,000 2014-2015 5.000% 685,000 164,375 164,375 1,013,750

For the purpose of refinancing the callable portion of the 1991 and 1995 refunding bonds

Date of Issue: September 15, 2000

Amount Authorized \$15,845,000

680,000

675,000

670,000

665,000

660,000

650,000

640,000

630,000

620,000

\$12,060,000

Date of Refinance: February 15, 2005

2015-2016

2016-2017

2017-2018

2018-2019

2019-2020

2020-2021

2021-2022

2022-2023

2023-2024

**TOTAL** 

#### 2000 DEBT RETIREMENT SERIES A BONDS

	INTEREST	PRINCIPAL	MAY INTEREST	NOVEMBER INTEREST	TOTAL
	RATE	REQUIREMENT	REQUIREMENT	REQUIREMENT	PAYMENT
PAYMENT DATE					
2007-2008	4.650%	\$725,000	\$112,494	\$112,494	\$949,988
2008-2009	4.700%	775,000	95,638	95,638	966,276
2009-2010	5.625%	825,000	77,425	77,425	979,850
2010-2011	5.625%	875,000	54,222	54,222	983,444
2011-2012	5.750%	1,030,000	29,613	29,613	1,089,226
<u>TOTAL</u>		\$4,230,000	\$369,392	\$369,392	\$4,968,784

For the purpose of financing the cost of erecting, furnishing and equipping a new middle school, and an addition to the high school.

Bonds maturing in 2103 and after were defeased, in substance, in connection with the 2005 refunding bond issue.

# GOODRICH AREA SCHOOLS SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS FOR THE YEAR ENDED JUNE 30, 2007

Date of Issue: September 15, 2000 Amount Authorized \$10,470,000

Date of Refinance: February 15, 2005

#### 2000 DEBT RETIREMENT SERIES B BONDS

		MAY	NOVEMBER	
INTEREST	PRINCIPAL	INTEREST	INTEREST	TOTAL
RATE	REQUIREMENT	REQUIREMENT	REQUIREMENT	<b>PAYMENT</b>
	\$0	\$52,000	\$52,000	\$104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
	0	52,000	52,000	104,000
5.625%	0	52,000	52,000	104,000
5.625%	0	52,000	52,000	104,000
5.375%	0	52,000	52,000	104,000
5.000%	1,030,000	52,000	52,000	1,134,000
5.000%	1,050,000	26,250	26,250	1,102,500
	\$2,080,000	\$910,250	\$910,250	\$3,900,500
	5.625% 5.625% 5.375% 5.000%	RATE REQUIREMENT  \$0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	NTEREST RATE   PRINCIPAL REQUIREMENT   REQUIREMENT   REQUIREMENT   REQUIREMENT   REQUIREMENT	NTEREST RATE   PRINCIPAL REQUIREMENT   REQUIREMENT   REQUIREMENT   REQUIREMENT

For the purpose of refunding the original Series B portion of the 2000 bonded debt.

Bonds maturing in 2021 and 2002 were defeased, in substance, in connection with the 2005 refunding bond issue.

Bonds maturing in 2023 and 2026-2030 were defeased, in substance, in connection with the 2006 refunding bond issue.

1,094,200

\$15,668,820

# GOODRICH AREA SCHOOLS SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS FOR THE YEAR ENDED JUNE 30, 2007

Date of Issue: March 15, 2005 Amount Authorized \$10,600,000

4.250%

2021-2022

**TOTAL** 

#### 2005 DEBT RETIREMENT MAY **NOVEMBER INTEREST PRINCIPAL INTEREST TOTAL** INTEREST REQUIREMENT **PAYMENT RATE** REQUIREMENT REQUIREMENT PAYMENT DATE 2007-2008 2.700% \$30,000 \$249,510 \$249,510 \$529,020 30,000 249,105 2008-2009 2.800% 249,105 528,210 30,000 2009-2010 3.000% 248,685 248,685 527,370 2010-2011 3.200% 30,000 248,235 248,235 526,470 525,510 2011-2012 3.300% 30,000 247,755 247,755 1,030,000 247,260 2012-2013 5.000% 247,260 1,524,520 2013-2014 1,050,000 221,260 221,260 1,492,520 5.000% 1,030,000 195,260 2014-2015 5.000% 195,260 1,420,520 1,050,000 169,260 169,260 2015-2016 5.000% 1,388,520 2016-2017 5.000% 1,030,000 143,260 143,260 1,316,520 2017-2018 5.000% 1,050,000 117,260 117,260 1,284,520 2018-2019 5.000% 1,030,000 91,260 91,260 1,212,520 2019-2020 4.100% 1,050,000 65,260 65,260 1,180,520 4.200% 1,030,000 43,940 2020-2021 43,940 1,117,880

22,100

\$2,559,410

22,100

\$2,559,410

1,050,000

\$10,550,000

#### GOODRICH AREA SCHOOLS SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS FOR THE YEAR ENDED JUNE 30, 2007

Date of Issue: February 14, 2006 Amount Authorized \$6,800,000

### 2006 REFUNDING BONDS

		2006 REFUNI	DING BUNDS		
			MAY	NOVEMBER	
	INTEREST	PRINCIPAL	INTEREST	INTEREST	TOTAL
	RATE	REQUIREMENT	REQUIREMENT	REQUIREMENT	<b>PAYMENT</b>
PAYMENT DATE					
2007-2008		\$0	\$142,900	\$142,900	\$285,800
2008-2009		0	142,900	142,900	285,800
2009-2010		0	142,900	142,900	285,800
2010-2011		0	142,900	142,900	285,800
2011-2012		0	142,900	142,900	285,800
2012-2013		0	142,900	142,900	285,800
2013-2014		0	142,900	142,900	285,800
2014-2015		0	142,900	142,900	285,800
2015-2016	4.000%	35,000	142,900	142,900	320,800
2016-2017	4.000%	35,000	142,200	142,200	319,400
2017-2018	4.000%	40,000	141,500	141,500	323,000
2018-2019	4.000%	40,000	140,700	140,700	321,400
2019-2020	4.000%	40,000	139,900	139,900	319,800
2020-2021	4.000%	45,000	139,100	139,100	323,200
2021-2022	4.000%	45,000	138,200	138,200	321,400
2022-2023	4.000%	1,070,000	137,300	137,300	1,344,600
2023-2024	4.125%	35,000	115,900	115,900	266,800
2024-2025	4.125%	35,000	115,178	115,178	265,356
2025-2026	4.125%	1,080,000	114,456	114,456	1,308,912
2026-2027	4.250%	1,075,000	92,181	92,181	1,259,362
2027-2028	4.250%	1,070,000	69,338	69,338	1,208,676
2028-2029	4.300%	1,085,000	46,600	46,600	1,178,200
2029-2030	4.350%	1,070,000	23,273	23,273	1,116,546
TOTAL		\$6,800,000	\$2,841,926	\$2,841,926	\$12,483,852
		+ - 1 1 - 1	7 7- 72-0	7 7- 7- 0	, ,, ,

For the purpose of refunding portions of the Series B 2000 bonded debt.

#### GOODRICH AREA SCHOOLS

GOODRICH, MICHIGAN

### FEDERAL AWARDS SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 29, 2007

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of Goodrich Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Area Schools, as of and for the year ended June 30, 2007, which collectively comprise the Goodrich Area Schools' basic financial statements and have issued our report thereon dated October 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Goodrich Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Goodrich Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Goodrich Area Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Goodrich Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Goodrich Area Schools' financial statements that is more than inconsequential will not be prevented or detected by the Goodrich Area Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Goodrich Area Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodrich Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Goodrich Area Schools Page 2 October 29, 2007

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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October 29, 2007

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of Goodrich Area Schools

#### Compliance

We have audited the compliance of Goodrich Area Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Goodrich Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Goodrich Area Schools' management. Our responsibility is to express an opinion on Goodrich Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Goodrich Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Goodrich Area Schools' compliance with those requirements.

In our opinion, Goodrich Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questions costs as item 2007-1.

#### Internal Control Over Compliance

The management of Goodrich Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Goodrich Area Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Goodrich Area Schools' internal control over compliance.



Goodrich Area Schools Page 2 October 29, 2007

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Area Schools, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 29, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Goodrich Area Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

# GOODRICH AREA SCHOOLS SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Innovative Education Program Strategies 84.298  Title V (06-07) 70250-0607  Title V (06-07) 60250-0607	ARD
FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT OR AWARD PROGRAM TITLE NUMBER NUMBER AMOUNT OF EDUCATION  Passed Through Michigan Department of Education: Title I Grants to Local Educational Agencies 84.010 ESEA Title I (06-07) 71530-0607 \$110  Innovative Education Program Strategies 84.298 Title V (06-07) 70250-0607 Title V (06-07) 60250-0607	ARD NT 10,077 442
PROGRAM TITLE  U.S. DEPARTMENT OF EDUCATION  Passed Through Michigan Department of Education:  Title I Grants to Local Educational Agencies  ESEA Title I (06-07)  Innovative Education Program Strategies  Title V (06-07)	NT 10,077 442
U.S. DEPARTMENT OF EDUCATION  Passed Through Michigan Department of Education:  Title I Grants to Local Educational Agencies 84.010  ESEA Title I (06-07) 71530-0607 \$110  Innovative Education Program Strategies 84.298  Title V (06-07) 70250-0607  Title V (06-07) 60250-0607	10,077 442
Passed Through Michigan Department of Education:         Title I Grants to Local Educational Agencies       84.010         ESEA Title I (06-07)       71530-0607       \$110         Innovative Education Program Strategies       84.298         Title V (06-07)       70250-0607         Title V (06-07)       60250-0607	442
Title I Grants to Local Educational Agencies  ESEA Title I (06-07)  Innovative Education Program Strategies  Title V (06-07)  Title V (06-07)  Title V (06-07)  Title V (06-07)  S4.010  71530-0607  70250-0607  60250-0607	442
ESEA Title I (06-07) 71530-0607 \$110  Innovative Education Program Strategies 84.298  Title V (06-07) 70250-0607  Title V (06-07) 60250-0607	442
Innovative Education Program Strategies 84.298  Title V (06-07) 70250-0607  Title V (06-07) 60250-0607	442
Title V (06-07) 70250-0607 Title V (06-07) 60250-0607	
Title V (06-07) 60250-0607	
	956
Total Innovative Education Program Strategies \$1	030
	\$1,298
Technology Literacy Challenge Grants 84.318	
Technology Literacy Challenge Fund (05-06) 64290-0607	1,479
Technology Literacy Challenge Fund (06-07) 74290-0607	1,133
\$2	\$2,612
Improving Teacher Quality 84.367	
	43,029
	42,767
Total Improving Teacher Quality \$85	85,796
Emergency Impact Aid - Hurricane Katrina 84.938 64120-1	567
Total Passed Through Michigan Department of Education \$200	00,350
Passed Through Genesee Intermediate School District	
Special Education - Grants to States: 84.027	
	40,595
	10,855
	1,200
Total Special Education Grants to States \$652	52,650
Vocational Education 84.048	
Perkins Grant (06-07) 73520-7012-15 27	27,074
Preschool Incentive 84.173	
Preschool Incentive (05-06) 60460-0506	8,940
Preschool Incentive (06-07) 70460-0607 9	9,432
Total Preschool \$18	18,372
Emergency Management/Crisis Response 84.184E Q184EO50156 2	2,750
Safe and Drug Free Schools 84.186	
	2,248
	6,455
	\$8,703

ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR EXPENDITURES	PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2006
\$40,17	\$47,364	\$0	\$87,535	\$0	\$0
(	442		442	0	0
(	856	0	856	0	0
\$0	\$1,298	\$0	\$1,298	\$0	\$0
(	1,479	0	1,479	0	0
(	1,133	0	1,133	0	0
\$0	\$2,612	\$0	\$2,612	\$0	\$0
(	32,742	0	32,742	10,287	0
12,91	0	0	12,911	0	0
\$12,91	\$32,742	\$0	\$45,653	\$10,287	\$0
(	567	0	567	0	0
\$53,082	\$84,583	\$0	\$137,665	\$10,287	\$0
(	340,595	0	0	340,595	340,595
33,863	276,992	0	310,855	0	0
198	1,002	0	1,200	0	0
\$34,06	\$618,589	\$0	\$312,055	\$340,595	\$340,595
(	27,074	0	27,074	0	0
(	8,940	0	0	0	8,940
	0	0		0	0
9,432 \$9,432	\$8,940	\$0	9,432 \$9,432	\$0	\$8,940
2,750	0	0	2,750	0	0
(	2,248	0	2,248	0	0
(	6,455	0	6,455	0	0
\$0	\$8,703	\$0	\$8,703	\$0	\$0

# GOODRICH AREA SCHOOLS SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

	PASS-	
FEDERAL	THROUGH	PROGRAM
CFDA	PROJECT	OR AWARD
NUMBER	NUMBER	AMOUNT
84.215S	Q215S060132	\$8,600
84.365		
	70580-0607	925
		\$719,074
		\$919,424
10.550		
	N/A	33,415
	N/A	2,857
		\$36,272
10.555	N/A	79,188
		\$115,460
93.778		
	N/A	8,835
		\$1,043,719
	CFDA NUMBER 84.215S 84.365 10.550	CFDA PROJECT NUMBER  84.215S Q215S060132  84.365 70580-0607  10.550 N/A N/A  10.555 N/A

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$8,299	\$0	\$7,982	\$317
<u>0</u> \$349,535	<u>0</u> \$340,595	925 \$369,238	<u>0</u> \$0	925 \$672,213	\$46,560
\$349,535	\$350,882	\$506,903	\$0	\$756,796	\$99,642
0	0	17,424	0	17,424	0
<u> </u>	<u> </u>	2,810 \$20,234	<u> </u>	2,810 \$20,234	<u> </u>
ΦU	ΦU	\$20,234	\$0	\$20,234	\$0
0	0	79,188	0	66,160	13,028
\$0	\$0	\$99,422	\$0	\$86,394	\$13,028
0	0	8,835	0	8,835	0
\$349,535	\$350,882	\$615,160	\$0	\$852,025	\$112,670

# GOODRICH AREA SCHOOLS NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

### FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

\$615,160

### FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund \$509,283

School Service Fund 105,877

<u>TOTAL</u> \$615,160

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

# GOODRICH AREA SCHOOLS RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT" TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report		
(Form R 7120)		\$163,771
Add: Grants Passed Through the Genesee Intermediate School District		
Special Education Grants to States (CFDA # 84.027)	\$618,589	
Vocational Education (CFDA 84.048)	27,074	
Preschool Incentive (CFDA 84.173)	8,940	
Safe and Drug Free Schools (CFDA 84.186)	8,703	
Partnerships in Character Education (CFDA 84.215S)	7,982	
English Language Acquisition Grants (CFDA 84.365)	925	
Medical Assistance Program Title XIX (CFDA #93.778)	8,835	
Total Grants Passed Through TBAISD		681,048
Less: Timing Difference		(13,028)
Entitlement and Bonus Commodities (CFDA# 10.550)		20,234
TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES		
OF FEDERAL AWARDS		\$852,025

#### GOODRICH AREA SCHOOLS- GOODRICH, MICHIGAN SUMMARY OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

#### SECTION I – SUMMARY OF AUDITOR'S RESULTS

There were no current year findings.

Financial Statements			
Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
• Material weakness(es) identified?		Yes	⊠ No
• Significant deficiency(s) identified that are not co to be material weaknesses?	onsidered	☐ Yes	None reported     ■
Noncompliance material to financial statements noted?		Yes	⊠ No
Federal Awards			
Internal control over major programs:			
• Material weakness(es) identified?		Yes	⊠ No
• Significant deficiency(s) identified that are not co to be material weaknesses?	onsidered	⊠ Yes	☐ None reported
Type of auditor's report issued on compliance for major pro	grams:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		⊠ Yes	☐ No
Identification of major programs:			
CFDA Number(s)		Federal Program	or Cluster
84.027/84.173	Special Education C	luster	
Dollar threshold use to distinguish between type A and type B programs:		\$ 300,000.00	
Auditee qualified as low-risk auditee?		⊠ Yes	□ No
SECTION II – FINANCIAL STATEMENT FINDINGS			

#### GOODRICH AREA SCHOOLS- GOODRICH, MICHIGAN SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

#### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-1) Special Education Cluster (#84.027 and #84.173)

Specific Requirement: Allowable Cost/Cost Principles.

<u>Condition</u>: The District did not complete the time certifications required for employees working

solely on a single Federal award or cost objective.

<u>Criteria</u>: The cost principles of OMB Circular A-87 require, "Where employees work on multiple

activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards. Personnel activity reports or equivalent documentation must meet the following

standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."

Effect of Condition: Salaries and wages charged to the program could be disallowed.

<u>Cause of Condition</u>: The cause of the condition was the lack of knowledge of the requirement of the Circular

in regards to the need for personal activity reports or equivalent documentation.

<u>Recommendation</u>: The District should develop a personal activity report or equivalent documentation that

meets the requirements of the circular.

Management Response: The District will develop a personal activity report or equivalent documentation that

meets the requirements of the circular.

Questioned Cost: None.

#### STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.